

Message Text

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FM AMEMBASSY TUNIS

TO SECSTATE WASHDC PRIORITY 6391

UNCLAS TUNIS 2523

TO DEPARTMENT ALSO FOR INFORMATION

E.O. 11652: N/A

TAGS: EINV, ENRG, TS

SUBJ: PETROLEUM: INQUIRY REGARDING INVESTMENT IN TUNISIA

REF:HAINER-MONTGOMERY TELCON OF APRIL 6

TO: JOHN HAINER

P.O. BOX 26

DALLAS, TEXAS 77201

TELEPHONE NUMBER: (214) 748-1110

TELEX: ENSERCH DAL 73372

1. FOLLOWING IS IN REPLY TO YOUR QUERY ON ELF-AQUITAINE'S
PENDING SALE OF PARTICIPATION IN ASHTART OIL PRODUCING FIELD TO
TUNISIAN GOVERNMENT (GOT),AND GOT POLICY ON PARTICIPATION
IN EXPLORATION AND PRODUCTION PHASES OF INDUSTRY.

2. CONVERSATION APRIL 7 WITH REPRESENTATIVE OF ELF-AQUITAINE
TUNISIE CONFIRMS IT IS IN PROCESS OF NEGOTIATING SALE TO GOT
OF 50 PERCENT PARTICIPATION IN ASHTART. FIELD BEING IN OLD
(1964) EXPLORATION PERMIT AREA, GOT HAS NO REPEAT NO OPTION TO
BUY-IN BUT ELF-AQUITAINE BELIEVES IT REALISTIC TO REpond TO
GOT REQUEST TO DO SO. ELF-AQUITAINE EXPECTTLOM BE FULLY COM-
PENSATED FOR SHARE OF EXPLORATION AND DEVELOPMENT EXPENSES AND
TO RECEIVE TAX AND OTHER BENEFITS MAKING OVERALL DEAL SATIS-
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FACTORY. AS YOU PROBABLY ARE AWARE, GOT HAS FROM BEGINNING
(1961) HELD 50 PERCENT INTEREST IN THE OTHER MAJOR PRODUCING
FIELD: THE OLDCCR ON-SHORE EL BORMA FIELD WHICH JOINTY DEVEL-
OPED AND OPERATED WITH ITALIANS (AGIP) VIA SOCIETE ITALO TUNI-
SIENNE D'EXPLORATION PETRIOLIERE (SITEP).

3. GOT GUY-IN OPTIONS UNDEY TERMS OF EXPLORATION PERMITS NOW

RANGE FROM ZERO TO 25 PERCENT. IN NATIONAL ASSEMBLY MARCH 29
--IN BRIEF DEBATE ON RATIFICATION OF MAY 1975 GRANT OF DHEHIBET
EXPLORATION PERMIT TO CONOCO/PETRODUEDE--PRIME MINISTER DEFEN-
DED PRESENT MAXIMUM AS HIGHEST LEVEL CONSISTENT WITH LIMITED
DOMESTIC AVAILABILITY OF VENTURE CAPITAL, PARTICULARLY FOR
COSTLY OFFSHORE EXPLORATION. HE SAID GOT PARTICIPATION SOME-
DAY MAY BE HIGHER, BUT EXPLOITATION OF PETROLEUM RESOURCES
CALLS FOR GREAT DEAL OF REALISM--WITH GOVERNMENT TAKING DIRECT
ROLE IN EXPLORATION ONLY UNDER WHERE THERE IS HIGH EXPECTA-
TIONS OF PROFIT.

Z4. DISCUSSIONS WITH POLICY-MAKERS AND INDUSTRY REFLECT CON-
SENSUS (A) THAT DESPITE OUTLOOK FOR GOVERNMENT PARTICIPATION
OF 50 PERCENT IN SECOND MAJOR PRODUCING PROPERTY, THERE IS NO SET
GOT POLICY TO INCREASE PARTICIPATION IN EXPLORATION AND PRODUC-
TION TO SPECIFIC TARGET LEVELS, AND (B) ANY GOT PARTICIPATIONH
BEYOND LEVELS SET IN PERMITS WILL BE ACHIEVED, BY NEGOTIATION,
AT FAIR LEVELS OF COMPENSATION, I.E., NO CONFISCATION.

5. WHILE MOST TUNISIAN OFFICIALS VIEW EXPLORATION AS OF LIM-
ITED INTEREST, BECAUSE OF RISK, VIEWS DO VARY WITH INSTITUTIONS.
WE CAN EXPECT STATE OIL COMPANY(ETAP), AS IT FEELS FINANCIALLY
AND TECHNICALLY CAPABLE, TO APPLY FOR ADDITIONAL EXPLORATION
PERMITS, ON VACANT ACREAGE, EITHER IN ITS OWN RIGHT OR VIA
MAJORITY PARTICIPATION IN JOINT VENTURES. (WHERE ETAP ACTS
DIRECTLY, MOTIVATION IN SOME CASES LIKELY TO BE LACK OF INTEREST
OR WILLINGNESS TO EXPLORE ON PART OF PRIVATE FIRMS.)

HOPE ABOVE IS HELPFUL TO YOU. REGARDS. SINCERELY YOURS,

HARRY M. MONTGOMERY.

MULCAHY

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NOTE BY OC/T: PASSED DALLAS, TEXAS.

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